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SUBJECT: Civil Aviation

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1. Informal talks with General Santini held November 10-14 in generally cordial atmosphere, although considerable difficulty and confusion in communicating. Discussion concentrated on three issues: multiple designation, all-cargo services, and routes. Route matters substantially resolved; some conceptual progress on all-cargo with substantial disagreement on detail; and some movement on multiple designation although two sides still far apart.

2. Multiple Designation. US side proposed two formulations: (a) complete freedom of USG to designate existing two combination carriers from any points in US; US agreement to a priori consultations, i.e. prior agreement, with Italy on any new combination carriers.

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EUR/AIS:AJWhite:OA:JMeadows:emt	11/14/69	20547	EUR/AIS - Robert M. Beaudry

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ACTION: Amembassy ROME PAGE 2

(b) US to specify points in US from which existing two combination carriers would operate (these would be the 12 points presently certificated) but on all new points or new carriers, US would have ex post facto consultations, provided that through plane service from points in US behind final points of departure ~~xxxxx~~ could be operated without limitation.

3. Neither of these proposals acceptable to Italians; they insisted on specific points of departure for US carriers and a priori consultations on all new carriers, while prepared concede ex post facto consultations on new points, including behind gateway points, for existing carriers. The Italians flatly rejected US proviso re behind gateway services in formulation (b).

4. Re formulation (b), US also suggested possible area of compromise or ex post facto ~~xxxxxxx~~ consultations, whereby if such consultations fail to reach agreement on

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compensation within one year, an automatic compensation or penalty would become operative at end of that period. This might take form of following arrangement: if US were to introduce new service and ex post facto consultations were unsuccessful, no additional services could be permitted until further consultation produced agreement.

5. All-Cargo. US indicated prepared accept non application capacity and route provisions of agreement during experimental period while Italians prepared accept that all-cargo services come under the agreement for all other purposes. However, little progress on details of experimental period. US suggested two-year special period, at end of which all-cargo would come completely under the agreement. Italy insisted on a three-year special period, at end of which both sides would decide whether to terminate special period or extend it further. Since no

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agreement possible ~~xx~~ on this point, Santini declined to discuss in any detail other aspects of all-cargo issue, but clearly had great problems with notion route schedule would apply at end experimental period.

6. Routes. Italians submitted new route proposal for Italy as follows:

a. From Italy via intermediate points in Spain and/or Portugal to New York.

b. From Italy to Boston.

c. From Italy via intermediate points in Spain to Washington and Dallas.

d. From Italy via intermediate points in Spain to Chicago.

e. From Italy via Montreal to Chicago.

f. From Italy via intermediate points in Spain to Washington and Los Angeles.**

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g. From Italy via intermediate routes in Spain to Chicago and Los Angeles.**

**Only one of these two routes to be selected by Italy at the date of signature of the Agreement.

7. This modified Italian route schedule poses no special problems for US side.

8. US submitted route proposal similar to November 6 paper except beyond Hong Kong deleted.

ROGERS

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